

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)**STAFF REPORT**

ISSUE: RRR Real Estate Company, LLC, R.B.R. Meat Company, Inc., Rose & Shore, Inc. and Rite-Way Meat Packers, Inc., jointly and severally, the borrower (Borrower) request an amendment to certain terms of a loan agreement, dated as of June 1, 1999 between the Borrower, the I-Bank and WFC Holdings Corporation (1999 Loan Agreement) in the original principal amount of \$5,400,000. The proposed amendments to the 1999 Loan Agreement establish a new interest rate mechanism, modify certain financial coverage covenants of the Borrower, modify the prepayment terms and provide terms required by the provider of a new interest rate hedge agreement.

BACKGROUND INFORMATION: On April 27, 1999, the I-Bank approved Resolution 99-35 authorizing the execution of a loan agreement among the I-Bank, Wells Fargo Bank, National Association (Wells) and RRR Real Estate Company, LLC (RRR) providing for a loan in an amount not to exceed \$5,400,000 from Wells to the I-Bank, and a loan of the proceeds of that loan from the I-Bank to RRR. RRR leases property to R.B.R. Meat Co., Inc., (RBR) a processor and distributor of meat and other food products such as hamburger patties, cured deli meats, and quesadillas and pizzas for school lunches. In addition this property is used by Rose & Shore, Inc. (Rose Shore) and Rite-Way Meat Packers, Inc. (Rite-Way), all of which are under the same ownership as RBR.

That loan agreement was to provide for acquisition of 3.0 acres of vacant land in the City of Vernon, construction of a 55,000 square foot building on the property, and the acquisition and installation of manufacturing equipment for the new facility. The Staff Report dated April 27, 1999, and a copy of Resolution 99-35 are attached for a more complete description of the project and financing structure (see **Attachment A**).

In response to a request from the Lender, the I-Bank approved Resolution 99-38 on May 25, 1999 adding RBR, Rose & Shore and Rite-Way as borrowers in the loan agreement and other agreements between the parties. The Staff Report dated May 25, 1999 and a copy of Resolution 99-38 are attached (see **Attachment B**).

Pursuant to Resolutions 99-35 and 99-38, Wells, the I-Bank and RRR, RBR, Rose Shore and Rite-Way, jointly and severally as the borrower (Borrower), entered into the authorized loan agreement.

As permitted by the terms of the loan agreement, the Bank assigned its interest in the 1999 Loan Agreement to WFC Holdings Corporation, an Affiliate of the Bank who became the Lender under the 1999 Loan Agreement. The Lender appointed the Bank as its servicer of the 1999 Loan Agreement. The Lender, the I-Bank and the Borrower entered into a First Amendment to Loan Agreement, dated as of July 1, 2001 to modify the dates for certain reporting requirements and financial covenants of the Borrower.

NEED FOR AMENDMENT: The 1999 Loan Agreement provides for a mandatory prepayment in 2009, which effectively establishes a ten-year loan term, but also establishes a 25 year principal amortization schedule. The Lender has agreed to extend the term of the loan upon reset of the variable interest rate calculation method. Because the proposed interest rate calculation method is likely to result in overall higher interest costs to the Borrower, Borrower is also requesting certain amendments to the Loan Agreement. In sum, the requested amendments are to:

- establish a new interest rate calculation mechanism,
- modify certain financial coverage covenants,
- modify the prepayment provisions, and provide terms required by the provider of a new interest rate hedge agreement.

The final maturity of the loans remain the same. Because these amendments require the approval of the Lender as the issuer of the loan to the I-Bank, the proposed amendments do not fit within the scope of the Executive Director's existing delegated authority, established by Resolution 08-35.

RECOMMENDATION: Staff recommends approval of Resolution 09-42 authorizing amendments to certain terms of the 1999 Loan Agreement among WFC Holdings Corporation, the I-Bank, and the Borrower.

Attachment A
April 27, 1999 Staff Report and Resolution 99-35

AGENDA ITEM NO. IV. G.

April 27, 1999

STAFF SUMMARY

Applicant:	RRR Real Estate Company, LLC
Action Requested:	Final Resolution
Type of Financing:	Small Issue Industrial Development Bond
Amount:	Not to exceed \$5,400,000

APPLICANT DESCRIPTION:

RRR Real Estate Company, LLC (the "Applicant") is seeking industrial development bond financing for R.B.R. Meat Co., Inc. (the "Company"), a California corporation incorporated in 1958. The Company is a processor and distributor of meat and other food products such as hamburger patties, cured deli meats, and quesadillas and pizzas for school lunches. In addition to the Company, Rite-Way Meat Packers, Inc. and Rose Shore Meat Company, separate entities but under the same ownership as the Company, are Users on this project. Major customers include Golden State Foods, Inc., United Food Group, Inc., the Los Angeles Unified School District and the State of California.

BACKGROUND:

The Company currently operates at two facilities: one of 14,000 square feet in Los Angeles and the other of 12,000 square feet in the city of Torrance. The Company owns the Los Angeles property and leases the Torrance property from an unrelated entity.

The two facilities are inadequate in meeting the Company's growth, with the distance between facilities resulting in significant inefficiencies and increased cost to the Company in recent years. The facilities cannot accommodate additional equipment which the Company needs to meet customer demands, and the Company has been unable to find adequate space in Los Angeles or Torrance to accommodate its growth. The Company also needs the additional space for new product lines such as individual size pizzas sold to retailers and institutional buyers. The new lines are a response to competitive pressures from its suppliers of its main line business of meat processing.

PROJECT DESCRIPTION:

RRR Real Estate Company proposes to acquire approximately 3.0 acres of vacant land in the city of Vernon and construct a building of approximately 55,000 square feet, as well as acquire and install manufacturing equipment in the new facility. In addition to the Company, Rite-Way Meat Packers, Inc. and Rose Shore Meat Company, mentioned previously in the staff report, will use the new facility at the Project Site.

PUBLIC BENEFITS:

Hiring for the new jobs will come from the local area, with a substantial portion of these jobs to be unskilled. The Company foresees hiring individuals currently receiving some state or local assistance, and will endeavor to work with the local employment development office to provide job opportunities to current welfare recipients. In addition, each new manufacturing job is likely to result in the creation of at least one additional job in the economy. The new jobs will help reduce the 6.1% unemployment rate in Los Angeles County.

A summary of the employment impact relating to the proposed financing is as follows:

Current employment:	140
Projected new job creation:	135
Estimated indirect job creation ¹ :	446
Construction job creation:	60-65
Ratio of bond dollars spent per new job:	\$44,444

TEFRA HEARING:

A TEFRA Hearing for this project was conducted on February 11, 1999 at the Trade and Commerce Agency office in Sacramento. No written or oral comments were taken at the hearing on this project.

OTHER DETAILS:

The Company has secured relocation letters from the City of Los Angeles and the City of Torrance.

¹ The indirect job multiplier for food and kindred products is 3.3:1. Source: U.S. Department of Commerce

FINANCING TEAM:

Bond Counsel:	Kutak Rock/Sam Balisy
Private Placement Agent:	Wells Fargo Bank
Trustee:	TBD
Letter of Credit Bank:	Wells Fargo Bank

BOND DESCRIPTION:

Private activity bond allocation for this project was granted by CDLAC at its March 10, 1999 allocation meeting. If a final resolution is approved by CIEDB, CIEDB will issue \$5,400,000 in tax-exempt, variable rate, demand bonds with a weekly interest rate setting mechanism. In no event shall the bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the bonds. The bonds shall constitute a special obligation for CIEDB payable solely from revenues or other sources provided for in a loan agreement between CIEDB and the Company. The bonds will be secured by an irrevocable, direct pay letter of credit issued by Wells Fargo Bank.

ELIGIBILITY REVIEW:

The proposed financing meets the following public interest criteria as required by section 63046 of the Government Code: 1) The financing is for a project in the State of California; 2) the borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the borrower to CIEDB under the loan agreement are adequate to pay the current expenses of CIEDB in connection with the financing and to make all the payments on the bonds; 4) the proposed financing is appropriate for the specific project.

RECOMMENDATION:

Staff recommends approval of Final Resolution 99-35 in an amount not to exceed \$5,400,000 for RRR Real Estate Company, LLC.

RESOLUTION 99-35

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING AND APPROVING A LOAN AGREEMENT TO BE ENTERED INTO BY AND AMONG THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, RRR REAL ESTATE COMPANY, LLC AND WELLS FARGO BANK, NATIONAL ASSOCIATION PURSUANT TO WHICH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK WILL MAKE A LOAN IN AN AMOUNT NOT TO EXCEED \$5,400,000 FOR THE PURPOSE OF FINANCING THE COST OF ACQUIRING, CONSTRUCTING, INSTALLING AND EQUIPPING A FOOD PROCESSING FACILITY, PROVIDING THE TERMS AND CONDITIONS FOR SUCH LOAN AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the "Issuer") was established for the purpose of financing projects needed to implement economic development and job creation and growth management strategies within the State of California (the "State") and is authorized to issue tax-exempt revenue bonds to provide financing for private activity economic development projects pursuant to the provisions of Section 63000 et seq. of the California Government Code (the "Act"); and

WHEREAS, the Board of Directors of the California Economic Development Financing Authority (the "Authority") adopted Resolution No. 98-29 on June 19, 1998 expressing its intention to issue industrial development bonds for the benefit of R.B.R. Meat Co., Inc. or a related entity (the "Applicant") for the purpose of financing the (1) acquisition of the real property located at the corner of Fruitland and Alcoa Avenue in the City of Vernon, California and consisting of approximately three acres (the "Project Site"), (2) construction of a 55,000 square feet building at the Project Site, (3) acquisition and installation of manufacturing equipment at the Project Site and (4) payment of capitalized interest and certain costs of issuance in connection with the hereinafter referred to bonds to be issued by the Issuer, constituting an economic development project under the Act (collectively, the "Project"); and

WHEREAS, the Applicant has notified the Issuer that the borrower for purposes of the financing will be RRR Real Estate Company, LLC (the "Borrower") and that the bonds be in the form of a loan; and

WHEREAS, the Project will be used by the Borrower and R.B.R. Meat Co., Inc., Rose Shore Meat Company and other related entities (collectively, the "Users") to process and distribute meat and other food products or for the production of other tangible personal property;

WHEREAS, the Issuer has assumed all of the responsibilities, liabilities and obligations of the Authority pursuant to Section 63028 of the California Government Code; and

WHEREAS, there has been presented to this meeting and is now on file with the Secretary

of the Issuer the following:

(a) a proposed form of the Loan Agreement, tentatively dated as of June 1, 1999 (the "Loan Agreement"), to be entered into by and among the Issuer, the Borrower and Wells Fargo Bank, National Association (the "Lender");

(b) a proposed form of the Escrow Agreement, tentatively dated as of June 1, 1999 (the "Escrow Agreement"), to be entered into by and among the Issuer, the Borrower, the Lender and a third party escrow agent; and

(c) a proposed form of the Tax Regulatory Agreement, to be dated the date of the closing of the Loan (the "Tax Regulatory Agreement"), to be entered into by and between the Issuer, the Borrower and the Users.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The form of the Loan Agreement presented at this meeting is hereby approved and the Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Issuer further authorizes and approves the loan of the moneys received from the Lender to the Borrower (the "Loan") in order to finance the cost of the Project pursuant to the terms and provisions of the Loan Agreement.

Section 2. The form of the Escrow Agreement presented at this meeting is hereby approved and the Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature the Escrow Agreement, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The form of the Tax Regulatory Agreement presented at this meeting is hereby approved and the Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Tax Regulatory Agreement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 4. The Issuer approves the borrowing of amounts from the Lender on a tax-exempt basis and the making of the Loan to the Borrower in an amount not to exceed \$5,400,000 in accordance with the terms of and to be secured by the Loan Agreement. Repayment of the principal of, premium, if any, and the interest on, the loan from the Lender

to the Issuer shall be made solely from the revenues to be received by the Issuer pursuant to the Loan Agreement, and the loan from the Lender shall not be deemed to constitute a debt or liability of the Issuer or the State. The Loan shall bear interest at the rate or rates set forth in the Loan Agreement. In no event shall the rate of interest on the Loan exceed twelve percent (12%) per annum or the maximum rate permitted by law.

Section 5. Based upon representations made by the Borrower, the Board of Directors of the Issuer hereby finds and determines:

- (a) that the Project is located in the State;
- (b) that the Borrower is capable of meeting its obligations with respect to the Loan to be made to finance the Project;
- (c) that the payments to be made by the Borrower under the Loan Agreement to the Issuer are adequate to pay the current expenses of the Issuer in connection with the financing and to make payments on the Loan; and
- (d) that the Loan is an appropriate financing mechanism for the Project.

Section 6. The Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction and the making of the Loan. All actions required to be undertaken by the Secretary of the Issuer that are necessary or appropriate to this transaction and the making of the Loan may be undertaken by the Secretary's designee.

Section 7. All actions heretofore taken by the officers and agents of the Issuer with respect to the borrowing of funds from the Lender and the Loan to the Borrower are hereby approved, confirmed and ratified, and the officers of the Issuer and their authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the Loan and otherwise to effectuate the purposes of this Resolution.


Section 8. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on April 27, 1999, by the following vote:

AYES: Hatamiya, Arcelus, Pami
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE

By 
Lon S. Hatamiya, Chair

Attest:

By 
Blake Fowler, Secretary

Attachment B
May 25, 1999 Staff Report and Resolution 99-38

CIEDB Agenda Item No. IV
May 25, 1999

STAFF SUMMARY

BACKGROUND: On April 27, 1999, the Infrastructure Bank approved Resolution 99-35 authorizing the issuance, sale and delivery of industrial development revenue bonds, for an amount not to exceed \$5.4 million, for RRR Real Estate Company, LLC ("RRR"). Responding to a request from Wells Fargo Bank (the "Lender"), RRR has asked that R.B.R. Meat Co., Inc., Rose-Shore Meat Co., Inc. and Rite-Way Meat Packers, Inc. be added as borrowers to the Loan Agreement and to the Escrow Agreement and Tax Regulatory Agreement which were approved by the Bank in Resolution No. 99-35. The three additional borrowers were previously identified as the "Users" on this project and, although separate entities, have the same ownership.

RECOMMENDATION: Staff recommends adoption of Resolution 99-38, stating that the borrowers for the purposes of the financing of the Project are RRR Real Estate Company, LLC, R.B.R. Meat Co., Inc., Rose-Shore Meat Co., Inc. and Rite-Way Meat Packers, Inc., jointly and severally.

RESOLUTION 99-38

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AMENDING RESOLUTION NO. 99-35 WITH RESPECT TO THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT TO BE ENTERED INTO BY AND AMONG THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, RRR REAL ESTATE COMPANY, LLC, R.B.R MEAT. CO., INC., ROSE-SHORE MEAT CO., INC. AND RITE-WAY MEAT PACKERS, INC. AND WELLS FARGO BANK, NATIONAL ASSOCIATION PURSUANT TO WHICH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK WILL MAKE A LOAN IN AN AMOUNT NOT TO EXCEED \$5,400,000 FOR THE PURPOSE OF FINANCING THE COST OF ACQUIRING, CONSTRUCTING, INSTALLING AND EQUIPPING A FOOD PROCESSING FACILITY, PROVIDING THE TERMS AND CONDITIONS FOR SUCH LOAN AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, on April 27, 1999, the California Infrastructure and Economic Development Bank (the "Issuer"), adopted Resolution No. 99-35 authorizing and approving the execution of a Loan Agreement (the "Loan Agreement"), by and among the Issuer, RRR Real Estate Company, LLC ("RRR") and Wells Fargo Bank, National Association (the Lender"), for the purpose of financing the (1) acquisition of the real property located at the corner of Fruitland and Alcoa Avenue in the City of Vernon, California and consisting of approximately three acres (the "Project Site"), (2) construction of a 55,000 square feet building at the Project Site, (3) acquisition and installation of manufacturing equipment at the Project Site and (4) payment of capitalized interest and certain costs of issuance incurred in connection with the Loan Agreement (collectively, the "Project"); and

WHEREAS, RRR has requested that R.B.R. Meat Co., Inc. ("R.B.R."), Rose-Shore Meat Co., Inc. ("Rose-Shore") and Rite-Way Meat Packers, Inc. ("Rite-Way") be added as borrowers to the Loan Agreement and to the Escrow Agreement and Tax Regulatory Agreement also approved by the Issuer in Resolution No. 99-35.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. That the borrowers for the purposes of the financing of the Project are RRR, R.B.R., Rose-Shore and Rite-Way, jointly and severally (collectively, the "Borrowers").

Section 2. The revised forms of the Loan Agreement, Escrow Agreement and Tax Regulatory Agreement among the Borrowers and the other parties thereto presented at this meeting are each hereby approved and the Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement, the Escrow Agreement and the Tax Regulatory

Agreement and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof..

Section 3. Except as otherwise amended and modified by this Resolution, Resolution 99-35 remains in full force and effect.

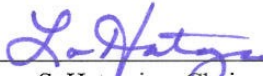
Section 4. The Chair of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction. All actions required to be undertaken by the Secretary of the Issuer that are necessary or appropriate to this transaction may be undertaken by the Secretary's designee.

Section 5. All actions heretofore taken by the officers and agents of the Issuer with respect to the borrowing of funds from the Lender and the loan to the Borrower are hereby approved, confirmed and ratified, and the officers of the Issuer and their authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the loans and otherwise to effectuate the purposes of this Resolution.


Section 6. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on May 25, 1999, by the following vote:

AYES:	Hatamiya, Faust, Porini
NOES:	None
ABSENT:	None
ABSTAIN:	None

By 
Lon S. Hatamiya, Chair

Attest:

By 
Blake Fowler, Secretary